Indiana
Department of Local Government Finance
Committed to a fair and equitable property tax system for Hoosier taxpayers.

County Treasurers' Conference

Dan Jones, Asst. Dir., Budget Div., DLGF
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Updates

- 2012 Reassessment
  - Reassessment is currently on schedule
  - 66 of Ratio Studies Submitted
  - 47 of Ration Studies Approved
  - 15 of county assessors that have rolled (gross) AV's to county auditor
  - Preliminary results of approved ratio studies indicate a flat state-wide average change in gross assessed value…. 0.2% chg
  - Indicates that the "trending" process is working – Trending is a process of applying recent sales data to the assessed values in a neighborhood to reflect the local trends in the real estate market

Updates

- 2012 Reassessment
  - Goal of trending is for assessed values to follow market and avoid large one-time adjustments that could cause values to fluctuate dramatically
  - Taxpayers should notice little change over previous year
  - Schedule indicates that the certification of net assessed values due on Aug 1 should be at or nearly on time. 2013 property tax bills should not be delayed due to reassessment
  - Tremendous improvement over past reassessments

2012 Legislation

- HEA 1072
  - Section 35 introduces the concept of "protected taxes" and "unprotected taxes"
  - Taxes in this statute refers only to property taxes
  - Adds section to IC 6-1.1-20.6-9.8
  - Legislation changes the way local governments will handle circuit breaker credits and the impact on debt service property tax levies

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IC 6-1.1-20.6-9.8

- **IC 6-1.1-20.6-9.8**
  Allocation of taxes exempted from credit
  Sec. 9.8. (a) This section applies to property taxes first due and payable after December 31, 2009.
  (b) The following definitions apply throughout this section:
  (1) "Debt service obligations of a political subdivision" refers to:
  (A) the principal and interest payable during a calendar year on bonds; and
  (B) lease rental payments payable during a calendar year on leases;
  of a political subdivision payable from ad valorem property taxes.

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IC 6-1.1-20.6-9.8

- (2) "Protected taxes" refers to the following:
  (A) Property taxes that are exempted from the application of a credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or another law.
  (B) Property taxes imposed by a political subdivision to pay for debt service obligations of a political subdivision that are not exempted from the application of a credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) of this chapter or any other law. Property taxes described in this subsection are subject to the credit granted under section 7 or 7.5 of this chapter by section 7(b), 7(c), 7.5(b), or 7.5(c) regardless of their designation as protected taxes.

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IC 6-1.1-20.6-9.8

- (3) ***"Unprotected taxes***" refers to property taxes that are not protected taxes.
  (c) The total amount collected from protected taxes shall be allocated to the fund for which the protected taxes were imposed as if no credit were granted under section 7 or 7.5 of this chapter. The total amount of the loss in revenue resulting from the granting of credits under section 7 or 7.5 of this chapter must reduce only the amount of unprotected property taxes distributed to a fund in proportion to the unprotected rate tax imposed for that fund relative to the total of all unprotected tax rates imposed by the taxing unit.
  As added by P.L.172-2011, SEC.42. Amended by P.L.137-2012, SEC.35.

Protected Taxes

- "Protected taxes" are property taxes not impacted by circuit breaker credits
  - The only property taxes not affected by circuit breaker credits are those levies approved by voter referendum:
    - School operating referendums
    - Voter approved capital projects
  - Levies for referendum funds are in addition to the tax liability under the circuit breaker limits (Caps). That is, property taxes can increase over the constitutional limits due to a referendum

Protected Taxes

- Referendums can increase taxes over the 1%, 2%, or 3% limit
  - Remaining property taxes in areas experiencing circuit breaker credits will allocate the credits to all the other property tax supported funds in that tax district
  - Allocation of circuit breaker credits is the proportion of a units levy (or rate) to the total for that tax district

Protected Taxes

- HEA 1072 now treats debt service levies similar to referendum levies:
  - County auditors will now treat the debt service funds in those tax districts as if they were protected from circuit breaker credits – that is treated as if the debt funds were approved in a referendum
  - Circuit breaker credits are then allocated to all the remaining property tax supported funds
  - Allocation of those credits is determined by the proportion of the property tax rate by fund in that tax district

Protected Taxes

- One major difference of a referendum approved fund tax levy and a fund not approved by referendum is the referendum approved fund will never be charged for the circuit breaker credit.
- Debt service levies not approved by referendum are still subject to circuit breaker credits
- Difference between the two is that debt service funds are charged circuit breaker credits but the credits are allocated to other funds; Referendum funds are not charged circuit breaker credits.

Examples

- Example #1
  - A unit that only has a debt service fund levy and that fund is in a tax district that experiences circuit breaker credits, since that is the only fund of that tax unit, that debt service fund will be charged their allocation of circuit breaker credits. A school district in that same tax district with a voter approved referendum levy will not experience circuit breaker credits for that debt fund. This situation is most common with townships.

Examples

- Example #2
  - A unit has an operating fund and a debt service fund in a tax district experiencing circuit breaker credits. The debt was not approved by voter referendum. This unit will have circuit breaker credits attributed to both the operating fund and the debt service fund. All the circuit breaker credits attributed to this unit will be charged to the operating fund

Examples

- Example #3
  - The unit in example two has an operating fund and a lease paid from a debt service fund. All circuit breaker credits attributed to the unit are charged to the operating fund. Leases are considered debt service under the statute IC 6-1.1-20.6-9.8
  - ***NOTE:*** Many units budget lease payments in the general/operating fund. It will be the responsibility of the taxing unit to identify those payments to the county auditor for proper handling of the treatment as a "protected" levy.

Transfer of Funds

- Another important aspect of this legislation is that it repeals the law allowing units to transfer funds to the debt service funds when those funds are impacted by circuit breaker credits.

Transfer of Funds

- This new law is to prevent debt service funds from being impacted by circuit credits. This law transfers that loss of property tax to the other tax supported funds of that unit.
- Since debt service funds are now “protected, the transfers are no longer necessary
  - DLGF Memo on protected and unprotected tax legislation:
  - http://www.in.gov/dlgf/files/120703_-_Bailey_Memo_-Protected_and_Unprotected_Taxes.pdf

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Contact the Department

- **Cathy Wolter, General Counsel 317.232.3777**
- **Email: cwolter@dlgf.in.gov**
- **Fax: 317.232.8779**
- **Dan Jones, Asst. Budget Div Dir.**
- **Phone: 317.2320651**
- **E-mail: djones@dlgf.in.gov**
- **Web site: www.in.gov/dlgf**
  - **“Contact Us”: www.in.gov/dlgf/2338.htm.**

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